

National Crafts Council - 2010

1. Financial Statements

1:1 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the National Craft Council had maintained proper accounting records for the year ended 31 December 2010 and except for the effects on the financial statements of the matters referred to in paragraph 1:2 of this report, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles give a true and fair view of the state of affairs of the National Crafts Council as at 31 December 2010 and the financial results of its operations and cash flows for the year then ended.

1:2 Comments on Financial Statements

1:2:1 Accounting Deficiencies

The following observations are made.

- (a) The balance of a Savings Bank Account amounting to Rs.140,158 as at 30 November 2006 had been shown at the same amount in the accounts as at the end of the year under review without taking into account the interest.
- (b) Provision for accrued expenses had not been made in respect of 05 items of expenditure for the year under review totalling Rs.155,900 of the Crafts Training Division.
- (c) The balances of 123 Savings Bank Accounts of Crafts Training Centres of the Crafts Training Division totalling Rs.4,685,846 had not been taken into the accounts.
- (d) The fixed assets of the Crafts Training Centres had not been disclosed in the accounts for the year under review as the assets had not been taken over.

1:2:2 Non – reconciliation of Accounts

The following observations are made.

- (a) A difference of Rs.3,423,902 was observed between the balances shown in the Fixed Assets Accounts of the Crafts Council and the Registers of Fixed Assets.
- (b) Even though the insurance charges, licence fees and repairs of office equipment according to the final accounts amounted to Rs.69,385, it had been shown in the schedules of the account as Rs.123,239. As such the difference amounted to Rs.53,854.
- (c) A difference of Rs.5,228,662 was observed between the trial balance and the ledger of the Crafts Training Division.
- (d) The loan balances of the Crafts Training Division according to the schedules amounted to Rs.258,500 whereas according to the individual loan ledger, that amounted to Rs.171,000. As such the difference amounted to Rs.87,500.

1:2:3 Non – compliance with Laws, Rules, Regulations and Management Decisions

Instances of non – compliance with laws, rules, regulations, etc. observed during the course of audit are given below.

Laws, Rules, Regulations, etc. -----	Non – compliance -----
(a) Financial Regulation (FR) -----	
(i) FR 133	The Council had not established an Internal Audit Unit.
(ii) FR 135	A sum of Rs.534,720 had been paid without a certificate from the officer certifying the expenditure.

- | | |
|--|--|
| (iii) FR 371 (2) (c) | Even though the special advances granted for the settlement of payments should be settled immediately after the completion of the purpose, advance balances amounting to Rs.751,568 had not been settled even up to April 2011. |
| (b) Circular No. DMA/2009 (1) dated 09 June 2009 and letter dated 30 November 2010 of the Ministry of Traditional Industries and Small Enterprises Development | Even though at least 04 meetings of the Audit and Management Committees should be held annually, only one meeting had been held in the year under review. |
| (c) Management Services Circular No. 34 (11) of 30 March 2010 | Even though the combined allowance payable to officers drawing monthly salaries from Rs.16,085 to Rs.21,284 is Rs.400, contrary to the circular payment had been made at Rs.500, thus resulting in an over payment of Rs.155,503 in the year under review. |

2. Financial and Operating Review

2:1 Financial Review

2:1:1 Financial Results

According to the financial statements presented, the working of the Council for the year under review had resulted in a deficit of Rs.6,376,395 as compared with the corresponding deficit of Rs.1,732,297 for the preceding year. As such the financial results had deteriorated by a sum of Rs.4,644,098. As the Crafts Training Division which functioned under the Sri Lanka Handicrafts Board was transferred to National Crafts Council with effect from June 2009, the Treasury provision for the year under review had been increased by Rs.18,816,000 over that of the year 2009. The increase of the total expenditure for the year under review as compared with the year 2009, by a sum of Rs.22,912,928 had been the reason for the deterioration of the financial result.

2:2 Operating Review

2:2:1 Performance

The following observations are made.

- (a) One teacher each had been attached to the Bobbin – Lace and Lace Craftsmen Training Centre and the Wood Carving Craftsmen Training Centre of the National Crafts Village at Battaramulla while only one student was attached to the Wood Carving Centre. Thus it was observed that human resources had been underutilized.
- (b) Even though an Action Plan had been prepared for the year under review, an adequate attention had not been paid for achieving its objectives. There was no actual physical progress at all under 02 items while the actual progress under 02 other items had been less than 30 per cent. The actual financial progress of 03 items had been less than 30 per cent.

2:2:2 Management Inefficiencies

The following observations are made.

- (a) The balance sum of Rs.1,317,977 remaining from the Sigiriya Information Centre Construction Project had been retained in the General Deposit Account over a period exceeding 03 years without being utilized for any other purpose whatsoever.
- (b) Even though the Crafts Training Division of the Sri Lanka Handicrafts Board had been transferred to the National Craft Council with effect from 01 May 2009, the human resources and the fixed assets had not been formally taken over even up to the end of the year under review.
- (c) Even though the main objective of the National Crafts Council is increasing the production of the craftsmen by making available local raw material abundantly and the supply of scarce raw materials and the organization of such activities, the Council had supplied only silver to the craftsmen.

- (d) The approved cadre of the Council for the year 2010 had been 88 and the actual cadre as at the date of audit had been 58. Out of 29 vacancies 24 vacancies related to the Executive Grades. Necessary steps had not been taken for filling the vacancies.

2:2:3 Identified Losses

The overpayment of acting allowance amounting to Rs.51,225 made to Accountant had not been recovered at the time the officer left the service of the Council.

2:2:4 Budgetary Control

The actuals could not be compared with the budgeted amounts as a budget for the year 2010 had not been prepared.

3. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman from time to time. Special attention is needed in respect of the following areas of control.

- (a) Payment and Settlement of Advances
- (b) Budgetary Control
- (c) Internal Audit
- (d) Accounting
- (e) Human Resources Management